Congress of the United States
House of Representatives
Washington, DC 20515

March 21, 2006

The Honorable John C. Dugan
Office of the Comptroller of the Currency
250 E Street, NW
Washington, DC 20219-0001

Dear Comptroller Dugan:

We write to express serious concerns about the three recent rulings of the Office of the Comptroller of the Currency related to allowing banks to invest in a windmill farm, build and own hotels, and speculate in condominium development.

These decisions each raise questions about the need to limit national bank authority to protect the deposit insurance funds. They also raise questions about how and when to address the long-standing statutory ban on mixing banking and commerce. Given the clear statutory language on these issues, it is clear that only Congress – not the Office of the Comptroller of the Currency – has the authority to decide if or when national banks should be permitted to make equity investments in real estate or engage in commercial activities such as energy development.

Congress has explicitly barred national banks from engaging in commercial and residential real estate development. Specifically, the National Bank Act prohibits banks from purchasing, holding, and conveying real estate except in a few, very specific circumstances. In 1999, Congress also reaffirmed the long-standing ban on mixing banking and commerce in the Gramm-Leach-Bliley Act.

In our view, increased involvement by financial institutions in commercial activities – no matter how small or how incremental – involves inherent risks to federally backed deposit insurance. Putting the U.S. financial system at risk could cause unnecessary hardship in the long term for the Federal Deposit Insurance Corporation, the U.S. Treasury, and ultimately the American taxpayer.

Moreover, these decisions if carried to their logical conclusion could ultimately lead us down a slippery slope that one day repeats the savings and loan crisis. Ironically, the Federal Deposit Insurance Corporation in its report about the causes of this financial debacle notes that changes in banking laws allowed S&Ls to invest in "fast-food franchises, ski resorts, and windmill farms." It also notes that "development loans and the resultant mortgages on the same properties" were the leading cause of S&L failures. When viewed in this historical context, these three rulings are that much more troubling.

In sum, these three legalistic interpretations blur the distinct line Congress created to separate national banks from engaging in any type of commercial or residential real estate development, undermine preexisting congressional policy determinations, and put federal deposit insurance funds at risk. Consistent with all applicable law and regulation, we therefore request

that the Office of the Comptroller of the Currency inform us of what immediate action it is taking to address these matters.

Sincerely,

Raul M. Grijalva

Ben Chandler

Thaddeus McCotter

Dennis J. Kucinich

Michael M. Honda